

"Coronavirus Aid, Relief, and Economic Security Act"

(the CARES Act)

Highlights

The Senate's CARES Act is very different from the [Small Business Administration Disaster Assistance Program](#), for which many churches and small businesses do not qualify.

1. The bill includes churches, nonprofits, Christian schools that are 501c3s, and small businesses. It provides loans to these organizations to help them through the period of time between February 15, 2020 to June 30, 2020. There is approximately \$349B set aside for this program.

2. Employers with up to 500 employees (500 people at one location*) are eligible.

3. Loan funds can be used to cover the following expenses:

- Payroll costs
- Group health insurance benefits, paid sick leave, medical and insurance premiums
- Mortgage or rent payments
- Utilities
- Interest on any other debt obligations that were incurred before the loan period**

4. Payroll costs to include:

- Salary or wages, payments of a cash tip
- Vacation, parental, family, medical, and sick leave
- Health benefits
- Retirement benefits
- State and local taxes
- Limited up to \$100K annual salary/wage for each employee
- **Note:** There is no clarification at this time on pastoral housing allowances

5. The loan amount shall be the lesser of the following:

- Total average monthly payroll costs for the preceding 12 months (March 2019 to February 2020) multiplied by 2.5

OR

- \$10,000,000 if you are a brand new church plant church or organization, use average payroll costs for January and February 2020 multiplied by 2.5.

Payroll Costs	3/2019	4/2019	5/2019	6/2019	7/2019	8/2019	9/2019	10/2019	11/2019	12/2019	1/2020	2/2020
Total Payroll	\$15,700	\$15,878	\$15,700	\$14,700	\$15,700	\$14,800	\$15,700	\$15,100	\$15,700	\$15,500	\$15,700	\$15,500
Average Payroll for the above:	\$15,473	Multiplied by 2.5	=	\$38,683								

6. Lenders will most likely be your current banker. They will receive funding from the Small Business Administration. So, contact whoever you currently have your bank accounts with today and see if they are participating in the Small Business Administration loans provided in the CARES Act

7. No loan payments under this program are due for one year. No fees are included in the loan.

8. Good Faith Certification

You will need to certify the loan will be used for the following:

- Support ongoing operations
- Funds used to retain workers and maintain payroll or make mortgage, lease, and utility payments.

9. Calculation of Loan Forgiveness

The full amount of the loan can be forgiven, given some parameters. Essentially, the loan is forgivable if you employed the same number of people during the loan period as you did last year.

- Full-Time Equivalent Employee (FTE) (as defined in section 45R(d)(2) of 11 the Internal Revenue Code of 1986)

- The goal of this loan is for your 2020 FTEs to be equal to or greater than your 2019 FTEs. Essentially, they want you to have equal to or more employees from February. 15, 2020, to June 30, 2020, as you did last year from February 15, 2019, to June 30, 2019.
- If you will have fewer employees in 2020 than in 2019, then you need to complete a calculation:

Average FTEs per month in 2020 from February 15, 2020-June 30, 2020
 / (divided by)
 Average FTEs per month in 2019 from February 15, 2019-June 30, 2019

Example: 18 FTE employees currently right now in 2020 and you have not laid anyone off that you can bring back. Your church had 19 FTE employees on average between February 15, 2019, to June 30, 2019. What % of the loan is forgivable?

18 FTE in 2020	Divided by	19 FTE in 2019	=	94.70%
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94.70% of the total Loan Amount will be Forgiven.

5.3% of the total Loan Amount will be paid back over a 10 year period of time.

- This will give you a percentage (example 94.7%). This percentage means that 94.7% of our total loan for this period of time in 2020 through June 30, 2020, will be forgivable. You will only be required to pay back 5.3% of the total loan amount.
- If wages of any employee are reduced by 25% will be excluded from forgiveness.

10. No collateral or personal guarantees will be required by board members, trustees, or owners. Normally in small business loans, an owner or board member has to sign a personal guarantee to acquire the loan. If the loan is not repaid, then the owner or board member has to

personally make good on the loan amount to the bank. Again, no personal risk for business owners or board members.

11. Funds that are not forgiven have a loan maturity of 10 years. We currently do not know the interest rate of this loan but given that the repayment will be spread over 10 years, the church or nonprofit's monthly payment to repay this loan will be very low.

*Churches need to get clarification on the number of employees per location. If you are a mega-church with many campuses, and you have in total over 500 employees, you MIGHT be able to participate if you look at staffing at each location and no location is over 500 employees.

** "Other debt obligations" needs to be defined. Does this include annual software licenses, copier lease, and other small business expenses? This needs to be clarified by the Small Business Administration.

*** Very questionable if housing allowance is included or not included.

What if this loan amount is not enough for your organization? As you look at the list above, normal operating expenses like marketing, admin, travel, etc. are not included in the CARES bill. The Federal Reserve and Small Business Administration have been fully funded during the past few weeks with additional dollars to assist smaller organizations. Here is the [link](#) to apply for additional dollars to assist your organization during this time.

Unemployment extended for laid-off staff: If your church or non-profit has laid-off staff, these former workers have expanded unemployment. Please encourage laid-off staff to file for unemployment immediately as the timing of their first unemployment payment is based on their date of filing unemployment.

For more, read our blog, "[Why Churches and Nonprofits Should Apply For The CARES Act Now.](#)"

Additional Resources

- [Download Sutton's Slides Here](#)

- [Sutton's Article on Why Churches & Nonprofits Should Apply NOW for Cares Act](#)
- [Read Bill Here](#)
- [CARES Act Overview from Whitley Penn](#)
- [Small Business Guide to the CARES Act from Ernst & Young](#)
- [How To Calculate FTE Hours](#)